

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Branch-Hillsdale-St. Joseph Comm. Health A	County Branch
Fiscal Year End 9/30/2007	Opinion Date 2/19/2008	Date Audit Report Submitted to State 2/29/2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

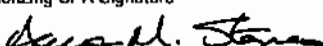
YES  
2

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA		License Number 1101024055

**Branch - Hillsdale - St. Joseph  
Community Health Agency  
Coldwater, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2007**

Branch - Hillsdale - St. Joseph  
Community Health Agency

TABLE OF CONTENTS

September 30, 2007

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-viii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Fund Balance Sheet	3
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	5
Reconciliation of the Changes in Fund Balance of Governmental Fund to the Statement of Activities	6
Notes to Financial Statements	7-14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Special Revenue Fund	15
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Support Services	16-19
Schedule of Expenditures of Federal Awards	20-22
Notes to Schedule of Expenditures of Federal Awards	23
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	24-25
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	26-27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	28-29
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	30

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT**

Board of Public Health  
Branch - Hillsdale - St. Joseph  
Community Health Agency  
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Branch - Hillsdale - St. Joseph Community Health Agency as of and for the year ended September 30, 2007, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Branch - Hillsdale - St. Joseph Community Health Agency as of September 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2008, on our consideration of the Branch - Hillsdale - St. Joseph Community Health Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 19, 2008



*"Your Community Partner  
in Public Health"*

# Branch-Hillsdale-St. Joseph Community Health Agency

## **Management's Discussion and Analysis For Fiscal Year Ended September 30, 2007**

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Agency's financial performance during the fiscal year ended September 30, 2007. The Management's Discussion and Analysis is intended to be read in conjunction with the Agency's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

### **Financial Highlights**

- The assets of the Agency exceeded its liabilities at September 30, 2007, by \$966,454 at the government-wide level. Of this amount, \$953,587 (unrestricted net assets) may be used to meet the Agency's ongoing obligations.
- The Agency's total net assets increased \$88,771 as a result of this year's operations.
- As of September 30, 2007, the Agency's governmental fund reported an ending fund balance of \$1,164,320, and increase of \$109,794.
- As of September 30, 2007, the unreserved and undesignated fund balance was \$839,353, or approximately 11 percent of total fund expenditures.

### **Overview of the Financial Statements**

The Branch-Hillsdale-St. Joseph Community Health Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The government-wide financial statements provide information about the activities of the entire Agency. They present an overall view of the Agency's finances, reporting the assets and liabilities on fiscal year ending September 30, 2007.

The statement of net assets present information on all of the Branch-Hillsdale-St. Joseph Community Health Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during fiscal year 2006/07. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

All of the Branch-Hillsdale-St. Joseph Community Health Agency's are supported by intergovernmental revenues, governmental grants, fees and charges for services, interest and rents, local, and contributions. The governmental activities of the Agency are all considered health and sanitation programs. The Area Agency on Aging (AAA) is an autonomous department within CHA responsible for administering Federal and State funds to local aging programs and organizations within our two (2) county planning and service area (Branch & St. Joseph Counties only). We are designated by the Michigan Office of Services to the Aging (OSA) to carry out this function. The Agency does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Branch-Hillsdale-St. Joseph Community Health Agency.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Branch-Hillsdale-St. Joseph Community Health Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency operates with one fund, which is considered a governmental fund.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Branch-Hillsdale-St. Joseph Community Health Agency adopts an annual appropriated budget for its Health Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 1-6 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-14 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 15. Other supplementary information concerning support services and expenditures of federal awards can be found on pages 16-30 of this report.

**Government-wide Financial Analysis:**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Branch-Hillsdale-St. Joseph Community Health Agency, assets exceeded liabilities by \$966,454. A comparative analysis of net assets as of September 30, 2007 and 2006 are presented below:

	<u>2007</u>	<u>2006</u>
Current assets	\$1,802,440	\$1,504,941
Capital assets	<u>12,867</u>	<u>14,167</u>
Total assets	1,815,307	1,519,108
Current liabilities	798,840	595,058
Non-current liabilities	<u>50,013</u>	<u>46,367</u>
Total liabilities	848,853	641,425
Net assets		
Invested in capital assets	12,867	14,167
Unrestricted	<u>953,587</u>	<u>863,516</u>
Total net assets	<u>\$ 966,454</u>	<u>\$ 877,683</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) increased by \$90,071. This represents an increase of approximately 10 percent. The current level of unrestricted net assets for our governmental activities stands at \$953,587, or approximately 12 percent of annual expenses. This is within our desired range.



The following table shows the changes in net assets as of September 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Program revenues		
Charges for services	\$ 1,205,986	\$ 880,357
Operating grants and other/contributions	5,602,471	5,039,117
General revenue		
County appropriations	972,202	965,646
Cigarette tax	50,183	56,687
Interest	<u>33,678</u>	<u>37,356</u>
Total revenues	7,864,520	6,979,163
Program Expenses	<u>7,775,749</u>	<u>6,959,878</u>
Change in net assets	<u>\$ 88,771</u>	<u>\$ 19,285</u>

During the year, charges for services increased approximately \$325,629 due to the increased services. Operating grants and other/contributions increased by \$563,354. The SPE/Long Term Care Connection was in the first full year of operation. Funding was plentiful and the Agency purchased many “start-up” items to get the project going. A new grant “Family Success - Branch County” was funded by Children’s Trust Fund for nine months. The Agency was given increased funding to some of the grants to the Parent Ed Program in Hillsdale County.

Decreased numbers of experienced staff for Prevention Services has required a significant boost in concentrating more tasks on remaining staff. Analysis of the cost in training time, quality assurance strength, and readiness for emergency events may not be measurable until there is a critical challenge. The release of the Family Planning Title X contract and phase-out was particularly challenging and has had both positive and negative effects for staff and community. On a positive note, though responsive to a poor economy, we have seen continued increase in WIC services.

Total expenses increased approximately 12% over last year. Some reasons for the increase were associated with the increased cost in on-going programs. Although, the Agency had increased general salary and COL, increases in on-going health insurance costs, and the Agency Retirement Fund (MERS), the staffing issues offset the expenses in total.

### **Financial Analysis of the Government’s Fund**

As noted earlier, the Branch-Hillsdale-St. Joseph Community Health Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund:** The focus of the Branch-Hillsdale-St. Joseph Community Health Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Branch-Hillsdale-St. Joseph Community Health Agency's financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Branch-Hillsdale-St. Joseph Community Health Agency's governmental fund reported an ending fund balance of \$1,164,320, an increase of \$109,794 in comparison with the prior year. Of this total, \$97,635 has been reserved for prepaid expenditures. There has been \$227,332 designated for vacation and personal leave. The unreserved and undesignated fund balance at September 30, 2007, was \$839,353.

As a measure of the governmental fund's liquidity, it may be useful to compare both unreserved fund balance and unreserved-undesignated fund balance to total fund expenditures. Unreserved fund balance represents approximately 14 percent of total fund expenditures, while unreserved-undesignated fund balance represents approximately 11 percent of total fund expenditures.

#### **Governmental Fund Budgetary Highlights**

Over the course of the year, the Branch-Hillsdale-St. Joseph Community Health Agency's Board of Directors amended the budget to take into account events that occurred during the year. The most significant change was an increase to intergovernmental Federal/State grants. Grants were received after the original budget which increased staffing, fringes, and expenses. Because the grant revenue is tied to performance, the offset for the amended was to increase program costs.

Although, increases in charges for services, interest, and rents collected were offset this resulted in very little difference in total.

#### **Capital Asset and Debt Administration**

**Capital Assets:** The Branch-Hillsdale-St. Joseph Community Health Agency's investment in capital assets as of September 30, 2007, amounts to \$12,867 (net of accumulated depreciation).

**Long-term Obligations:** The Branch-Hillsdale-St. Joseph Community Health Agency does not have any outstanding debt issues. The only long-term obligation the Agency currently has relates to compensation (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2007, is \$227,332.

## **Economic Factors and Next Year's Budget and Rates**

For the fiscal year ending September 30, 2008, it will be an uncertain year as we all struggle with finding any new revenues. We anticipate cuts to budgeted State programs provided through the Comprehensive Planning, Budgeting and Contracting (CPBC) agreement with the Michigan Department of Community Health. The Emergency Preparedness and Pandemic Flu Supplemental at this time is only budgeted and approved through July 31, 2008. The Diabetes Outreach and Tobacco Agreement were terminated at the end of the fiscal year September 30, 2007, but to be reinstated two months into the new fiscal year. The staff which worked in Diabetes and Tobacco is no longer available and we are having to staff with new hires. Although the Agency is no longer providing Family Planning services we are leasing space to Planned Parenthood one day a week in each of our four sites. Health Promotion will continue to seek out grants which will expand current grant programs to increase funding.

Because the services of the Branch-Hillsdale-St. Joseph Community Health Agency are provided based on need and not the ability to pay and the financial condition of the Branch-Hillsdale-St. Joseph Community Health Agency is healthy, the budget for the fiscal year ending September 30, 2008, did not incorporate an increase in any fees charged for services to the general public at that time.

## **Requests for Information**

This financial report is designed to provide a general overview of the Branch-Hillsdale-St. Joseph Community Health Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Donna Cowden**  
**Chief Financial Officer**  
**Branch-Hillsdale-St. Joseph Community Health Agency**  
**570 Marshall Road**  
**Coldwater, MI 49036**  
**Office: 517-279-9561, ext. 128**  
**Fax: 517-278-2923**  
**E-mail: [cowdend@bhsj.org](mailto:cowdend@bhsj.org)**

## **BASIC FINANCIAL STATEMENTS**

Branch - Hillsdale - St. Joseph  
Community Health Agency

STATEMENT OF NET ASSETS

September 30, 2007

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 1,145,777
Accounts receivable	235,537
Due from other governmental units - Federal/State	135,887
Prepaid expenses	97,635
Inventory	<u>187,604</u>
Total current assets	1,802,440
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>12,867</u>
TOTAL ASSETS	1,815,307
LIABILITIES	
Current liabilities	
Accounts payable	181,957
Accrued wages	137,782
Other accrued liabilities	17,761
Deferred revenue	284,021
Current portion of compensated absences	<u>177,319</u>
Total current liabilities	798,840
Noncurrent liabilities	
Noncurrent portion of compensated absences	<u>50,013</u>
TOTAL LIABILITIES	<u>848,853</u>
NET ASSETS	
Invested in capital assets	12,867
Unrestricted	<u>953,587</u>
TOTAL NET ASSETS	<u>\$ 966,454</u>

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph  
Community Health Agency

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Personal health	\$ 5,348,742	\$ 708,379	\$ 4,080,547	\$ (559,816)
Environmental health	1,167,669	434,639	511,427	(221,603)
Aging services	962,085	-	934,745	(27,340)
Administration	199,463	41,154	-	(158,309)
Other	97,790	21,814	75,752	(224)
Total governmental activities	<u>\$ 7,775,749</u>	<u>\$ 1,205,986</u>	<u>\$ 5,602,471</u>	<u>(967,292)</u>
General revenues				
Interest				33,678
County appropriations				
Regular				948,202
Other				24,000
Cigarette tax				<u>50,183</u>
TOTAL GENERAL REVENUES				<u>1,056,063</u>
CHANGE IN NET ASSETS				88,771
Net assets, beginning of the year				<u>877,683</u>
Net assets, end of the year				<u>\$ 966,454</u>

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph  
Community Health Agency

GOVERNMENTAL FUND BALANCE SHEET

September 30, 2007

	Special Revenue
ASSETS	
Cash	\$ 1,145,777
Accounts receivable	235,537
Due from other governmental units - Federal/State	135,887
Prepaid expenditures	97,635
Inventory	187,604
	<hr/>
TOTAL ASSETS	\$ 1,802,440
	<hr/>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 181,957
Accrued wages	137,782
Other accrued liabilities	17,761
Deferred revenue	300,620
	<hr/>
TOTAL LIABILITIES	638,120
	<hr/>
FUND EQUITY	
Fund balance	
Reserved for prepaid expenditures	97,635
Unreserved	
Designated for vacation and personal leave	227,332
Undesignated	839,353
	<hr/>
TOTAL FUND EQUITY	1,164,320
	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,802,440
	<hr/>

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph  
Community Health Agency

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2007

**Total fund balance - governmental fund** \$ 1,164,320

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 157,865	
Accumulated depreciation is	<u>(144,998)</u>	12,867

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Compensated absences	(227,332)
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Revenues not received within a specified period of time after year end are not considered  
"available" to pay current period expenditures and therefore are recorded as deferred  
revenues at the fund level.

<u>16,599</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 966,454</u></u>
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See accompanying notes to financial statements.



Branch - Hillsdale - St. Joseph  
Community Health Agency

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND

Year Ended September 30, 2007

	Special Revenue
REVENUES	
Licenses and permits	\$ 238,166
Intergovernmental	
Federal/State	5,671,504
Local	1,399
Charges for services	790,895
Interest and rents	74,619
Other - contributions	68,700
	<hr/>
TOTAL REVENUES	6,845,283
EXPENDITURES	
Current	
Salaries and wages	3,153,025
Fringe benefits	1,105,561
Supplies and materials	1,564,872
Contractual	949,708
Communications	118,832
Travel and training	216,655
Insurance	82,235
Repairs and maintenance	43,282
Building and equipment lease and rentals	453,294
Printing and advertising	21,608
Postage	18,597
Other	30,205
	<hr/>
TOTAL EXPENDITURES	7,757,874
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EXCESS OF REVENUES (UNDER) EXPENDITURES	(912,591)
OTHER FINANCING SOURCES	
Operating transfers in	
County appropriations - regular	948,202
County appropriations - other	24,000
Cigarette tax	50,183
	<hr/>
TOTAL OTHER FINANCING SOURCES	1,022,385
	<hr/>
NET CHANGE IN FUND BALANCE	109,794
Fund balance, beginning of year	1,054,526
	<hr/>
Fund balance, end of year	\$ 1,164,320
	<hr/>

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph  
Community Health Agency

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

<b>Net change in fund balance - governmental fund</b>	<b>\$ 109,794</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(1,300)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund level. In the current year, these amounts consist of:

Decrease in deferred charges for services	(3,148)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in accrued compensated absences	<u>(16,575)</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 88,771</u></b>
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See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph  
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Branch - Hillsdale - St. Joseph Community Health Agency is a joint venture between Branch, Hillsdale, and St. Joseph Counties, and was established to provide public health services. The Community Health Agency Board has representation and provides services to Branch, Hillsdale, and St. Joseph Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the Community Health Agency requires Branch, Hillsdale, and St. Joseph Counties to provide approximately 30, 30, and 40 percent, respectively.

The primary revenues of the Branch - Hillsdale - St. Joseph Community Health Agency are charges for services, Federal and State grants and County appropriations.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Branch - Hillsdale - St. Joseph Community Health Agency. The Agency is considered a "joint venture" of Branch, Hillsdale, and St. Joseph Counties.

**2. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the Agency as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Agency and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Agency.

**FUND FINANCIAL STATEMENTS**

The Agency uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Agency's individual major fund.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the Agency is:

- a. Special Revenue Fund - This fund is used to account for all financial resources of the Agency, which are restricted to expenditures for specified health related purposes.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**- CONTINUED**

**3. Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**4. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues, which are considered measurable but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

**5. Budgets and Budgetary Accounting**

The annual budget of the Agency is prepared by Agency management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

**6. Cash**

Cash consists of the Agency's payroll and accounts payable checking accounts, branch office depository accounts, imprest cash, and cash on deposit with the Branch County Treasurer.

**7. Receivables and Deferred Revenue**

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Agency has recognized the revenue related to charges for services at the time the services are performed and billed to the extent such amounts are estimated to be received. Contractual adjustments by third-party payers are treated as a reduction to revenues.

The Agency has recorded deferred revenue at both the government-wide and the fund level equaling the amount of vaccine inventory received from the State of Michigan that is on hand at year-end. The Agency has also recorded deferred revenue at the fund level for amounts due to the Agency but not collected within sixty days of fiscal year-end.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**- CONTINUED**

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan. Vaccine inventory on hand at year-end has been reported as deferred revenue.

9. Capital Assets

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	7 years
Equipment	4-10 years

The Agency has no assets that would be classified as infrastructure assets.

10. Compensated Absences

The Agency employees are granted vacation and personal leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and personal time. This amount, along with related payroll taxes has been recorded as a current and long-term liability in the government-wide financial statements.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Agency is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE B: CASH - CONTINUED**

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

**Deposits**

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As of September 30, 2007, the carrying amount of the Agency's deposits was \$20,614 and the bank balance was \$118,636, of which \$117,023 was covered by federal depository insurance. The balance of \$1,613 was uninsured and uncollateralized.

The cash balances reported in the basic financial statements include \$3,647 in imprest cash and \$1,121,516 in cash that is on deposit with the Branch County Treasurer. The cash on deposit with the Branch County Treasurer is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to these amounts cannot be determined.

**Credit Risk**

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2007, the Agency held no investments that would be required to be rated.

**Interest rate risk**

The Agency will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Agency's cash requirements.

**Concentration of credit risk**

The Agency will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Branch - Hillsdale - St. Joseph  
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE B: CASH - CONTINUED**

**Custodial credit risk**

The Agency will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Agency will do business in accordance with Board approved policy.

**NOTE C: CAPITAL ASSETS**

The following provides a summary of the changes in capital assets for the year ended September 30, 2007:

	<u>Balance</u> <u>Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2007</u>
Governmental activities:				
Equipment	\$ 135,142	\$ -	\$ -	\$ 135,142
Land Improvements	<u>22,723</u>	<u>-</u>	<u>-</u>	<u>22,723</u>
Totals at historical cost	157,865	-0-	-0-	157,865
Less accumulated depreciation for:				
Equipment	( 130,425 )	( 1,300 )	-	( 131,725 )
Land Improvements	<u>( 13,273 )</u>	<u>-</u>	<u>-</u>	<u>( 13,273 )</u>
Total accumulated depreciation	<u>( 143,698 )</u>	<u>( 1,300 )</u>	<u>-0-</u>	<u>( 144,998 )</u>
Capital assets, net	<u>\$ 14,167</u>	<u>\$ ( 1,300 )</u>	<u>\$ -0-</u>	<u>\$ 12,867</u>

Depreciation expense appears on the statement of activities in these governmental functions: Personal Health \$894, Environmental Health \$195, Aging Services \$161, Administration \$33, and Other \$17.

**NOTE D: COMPENSATED ABSENCES**

Employees of the Branch - Hillsdale - St. Joseph Community Health Agency are granted vacation and personal leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 360 hours, and accumulated personal leave at full current rate of pay of hours accumulated up to a maximum of 30 hours.

Accumulated vacation leave and personal pay represents a liability to the Agency, which is presented in a current and long-term portion of the liability. For this reason, the total liability is reported in the government-wide financial statements and represents a current liability of \$177,319 and a long-term liability of \$50,013 at September 30, 2007. Payments to employees for vacation leave and personal pay are recorded as expenditures when they are used and payments are actually made to the employees.

The following is a summary of changes in compensated absences for the year ended September 30, 2007:

	<u>Balance</u> <u>Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2007</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 210,757</u>	<u>\$ 232,967</u>	<u>\$ ( 216,392 )</u>	<u>\$ 227,332</u>	<u>\$ 177,319</u>

Branch - Hillsdale - St. Joseph  
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE E: RETIREMENT PLAN**

**Plan Description**

The Agency participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Agency. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees of three (3) percent of wages depending on the employee group covered. The Agency is required to contribute the remaining amounts necessary to fund the system.

**Annual Pension Cost**

For the year ended September 30, 2007, the Agency's annual pension cost of \$215,856 for the plan was equal to the Agency's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period.

**Three (3) year trend information**

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 8,162,790	\$ 8,662,574	\$ 9,318,862
Actuarial accrued liability (AAL) (entry age)	8,234,660	8,648,591	9,242,746
Unfunded (overfunded) AAL	71,870	( 13,983 )	( 76,116 )
Funded ratio	99 %	100 %	101 %
Covered payroll	2,552,172	2,421,635	2,693,320
UAAL as a percentage of covered payroll	3 %	0 %	0 %

	Year Ended September 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 157,596	\$ 187,606	\$ 215,856
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.



Branch - Hillsdale - St. Joseph  
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE F: DEFERRED COMPENSATION**

The Branch - Hillsdale - St. Joseph Community Health Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all Agency employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered through the National Association of Counties (NACO) and Nationwide Retirement Solutions.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of September 30, 1999, the Agency had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the Agency because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

**NOTE G: RISK MANAGEMENT**

The Agency carries commercial insurance for the risk of loss due to workers' compensation claims.

The Agency also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Agency has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

**NOTE H: NON-CANCELABLE OPERATING LEASE OBLIGATIONS**

The Branch - Hillsdale - St. Joseph Community Health Agency has entered into twenty-year, non-cancelable long-term leases with NHF Sub St. Joseph and Hillsdale Public Health Building Corporation, nonprofit organizations, for the St. Joseph and Hillsdale branch offices space, respectively.

<u>Hillsdale</u>	
2008	\$ 79,200
2009	79,200
2010	79,200
2011	79,200
2012	79,200
2013 and thereafter	<u>99,000</u>
	495,000

Branch - Hillsdale - St. Joseph  
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE H: NON-CANCELABLE OPERATING LEASE OBLIGATIONS - CONTINUED**

<u>St. Joseph</u>	
2008	\$ 72,000
2009	72,000
2010	72,000
2011	72,000
2012	72,000
2013 and thereafter	<u>306,000</u>
	<u>666,000</u>
TOTAL PAYMENTS	<u>\$ 1,161,000</u>

**NOTE I: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance that the Agency has set aside for specific purposes.

The following are the fund balance reserves as of September 30, 2007:

Reserved for prepaid expenditures	<u>\$ 97,635</u>
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The following are the fund balance designations as of September 30, 2007:

Designated for vacation and personal leave	<u>\$ 227,332</u>
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## **REQUIRED SUPPLEMENTARY INFORMATION**

Branch - Hillsdale - St. Joseph  
Community Health Agency

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Licenses and permits	\$ 251,330	\$ 251,330	\$ 238,166	\$ (13,164)
Intergovernmental				
Federal/State	5,129,220	5,576,805	5,671,504	94,699
Local	9,968	6,618	1,399	(5,219)
Charges for services	714,261	813,322	790,895	(22,427)
Interest and rents	76,051	75,308	74,619	(689)
Other - contributions	74,340	71,518	68,700	(2,818)
<b>TOTAL REVENUES</b>	<b>6,255,170</b>	<b>6,794,901</b>	<b>6,845,283</b>	<b>50,382</b>
<b>EXPENDITURES</b>				
Current				
Salaries and wages	3,070,094	3,164,834	3,153,025	11,809
Fringe benefits	1,090,623	1,124,844	1,105,561	19,283
Supplies and materials	1,258,696	1,507,734	1,564,872	(57,138)
Contractual	899,641	969,562	949,708	19,854
Communications	124,498	125,539	118,832	6,707
Travel and training	193,722	216,303	216,655	(352)
Insurance	82,595	77,987	82,235	(4,248)
Repairs and maintenance	45,977	45,777	43,282	2,495
Building and equipment lease and rentals	448,934	512,518	453,294	59,224
Printing and advertising	20,550	31,900	21,608	10,292
Postage	20,708	20,149	18,597	1,552
Other	32,030	30,111	30,205	(94)
<b>TOTAL EXPENDITURES</b>	<b>7,288,068</b>	<b>7,827,258</b>	<b>7,757,874</b>	<b>69,384</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,032,898)</b>	<b>(1,032,357)</b>	<b>(912,591)</b>	<b>119,766</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in				
County appropriations - regular	887,122	890,784	948,202	57,418
County appropriations - other	85,070	81,406	24,000	(57,406)
Cigarette tax	60,706	60,167	50,183	(9,984)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,032,898</b>	<b>1,032,357</b>	<b>1,022,385</b>	<b>(9,972)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>-0-</b>	<b>109,794</b>	<b>109,794</b>
Fund balance, beginning of year	1,054,526	1,054,526	1,054,526	-0-
Fund balance, end of year	<u>\$ 1,054,526</u>	<u>\$ 1,054,526</u>	<u>\$ 1,164,320</u>	<u>\$ 109,794</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Branch - Hillsdale - St. Joseph  
Community Health Agency

SCHEDULE OF SUPPORT SERVICES

MICHIGAN OFFICE OF SERVICES TO THE AGING

Year Ended September 30, 2007

	Title III-B Services	Title III-B Administration	Title III-C1	Title III-C2
EXPENSES				
Personal care	\$ 13,295	\$ -	\$ -	\$ -
Homemaker	13,296	-	-	-
Chore service	2,842	-	-	-
Home delivered meals	-	-	-	81,699
Care management	-	-	-	-
Respite care	-	-	-	-
Case coordination and support	6,000	-	-	-
Congregate meals	-	-	112,394	-
Transportation	38,782	-	-	-
Legal Assistance	9,000	-	-	-
Information and referral	-	-	-	-
Home repair	4,200	-	-	-
Counseling	-	-	-	-
Friendly reassurance	6,000	-	-	-
Personal emergency response	-	-	-	-
Disease prevention and health promotion	-	-	-	-
Program development	23,523	-	-	-
Supplemental services	-	-	-	-
Training	-	-	-	-
Ombudsman	4,000	-	-	-
Medication management	-	-	-	-
Administration	-	40,820	-	-
Other	-	-	-	-
TOTAL EXPENSES	<u>\$ 120,938</u>	<u>\$ 40,820</u>	<u>\$ 112,394</u>	<u>\$ 81,699</u>

Title III-D	Title III-E	NSIP	Targeted Care Management	State Access	State In-Home
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,585
-	-	-	-	-	17,586
-	-	-	-	-	-
-	-	55,375	-	-	-
-	-	-	-	-	-
-	23,755	-	-	-	-
-	5,000	-	-	10,673	-
-	-	41,985	-	-	-
-	4,664	-	-	-	-
-	-	-	-	-	-
-	6,439	-	-	-	-
-	-	-	-	-	-
-	2,000	-	-	-	-
-	-	-	-	-	-
4,755	-	-	-	-	-
3,090	-	-	-	-	-
-	-	-	-	-	-
-	5,000	-	-	-	-
-	8,000	-	-	-	-
-	-	-	-	-	-
2,114	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,090	-	-
<u>\$ 9,959</u>	<u>\$ 54,858</u>	<u>\$ 97,360</u>	<u>\$ 3,090</u>	<u>\$ 10,673</u>	<u>\$ 35,171</u>

Branch - Hillsdale - St. Joseph  
Community Health Agency

SCHEDULE OF SUPPORT SERVICES - CONTINUED

MICHIGAN OFFICE OF SERVICES TO THE AGING

Year Ended September 30, 2007

	State Congregate Meals	State Home Delivered Meals	State Alternative Care	Merit Award Fund Administration
EXPENSES				
Personal care	\$ -	\$ -	\$ 21,124	\$ -
Homemaker	-	-	21,125	-
Chore service	-	-	-	-
Home delivered meals	-	125,774	-	-
Care management	-	-	-	-
Respite care	-	-	-	-
Case coordination and support	-	-	-	-
Congregate meals	5,019	-	-	-
Transportation	-	-	-	-
Legal Assistance	-	-	-	-
Information and referral	-	-	-	-
Home repair	-	-	-	-
Counseling	-	-	-	-
Friendly reassurance	-	-	-	-
Personal emergency response	-	-	-	-
Disease prevention and health promotion	-	-	-	-
Program development	-	-	-	-
Supplemental services	-	-	-	-
Training	-	-	-	-
Ombudsman	-	-	-	-
Medication management	-	-	-	-
Administration	-	-	-	4,357
Other	-	-	-	-
TOTAL EXPENSES	<u>\$ 5,019</u>	<u>\$ 125,774</u>	<u>\$ 42,249</u>	<u>\$ 4,357</u>



State Care Management	State Administration	Total
\$ -	\$ -	\$ 52,004
-	-	52,007
-	-	2,842
-	-	262,848
93,931	-	93,931
-	-	23,755
-	-	21,673
-	-	159,398
-	-	43,446
-	-	9,000
-	-	6,439
-	-	4,200
-	-	2,000
-	-	6,000
-	-	4,755
-	-	3,090
-	-	23,523
-	-	5,000
-	-	8,000
-	-	4,000
-	-	2,114
-	6,453	51,630
-	-	3,090
<u>\$ 93,931</u>	<u>\$ 6,453</u>	<u>\$ 844,745</u>

Branch - Hillsdale - St. Joseph Community Health Agency

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>				
Passed through Michigan Department of Community Health Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557			
FY 06-07 Regular		N/A	\$ 652,063	\$ 652,063
FY 06-07 Special Projects		N/A	<u>5,000</u>	<u>5,000</u>
			657,063	657,063
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>				
Passed through Michigan Department of Environmental Quality Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	2,100	2,100
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	N/A	<u>15,400</u>	<u>15,400</u>
<b>TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			17,500	17,500
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through Michigan Department of Community Health Family Planning - Services	93.217			
FY 06-07 Project <sup>(a)</sup>		N/A	124,113	124,113
Immunization Grants	93.268 <sup>(b)</sup>			
FY 06-07 Vaccine supply		N/A	1,235,917	1,235,917
FY 06-07 IAP		N/A	70,530	70,530
FY 06-07 Nurse Education <sup>(d)</sup>		N/A	1,350	1,350
FY 06-07 Provider Site Visits <sup>(d)</sup>		N/A	<u>5,200</u>	<u>5,200</u>
			1,312,997	1,312,997
Centers for Disease Control and Prevention - Investigations and Technical Assistance Bioterrorism	93.283			
Focus A		N/A	197,561	197,561
Pan Flu		N/A	<u>78,643</u>	<u>78,643</u>
			276,204	276,204
HIV Prevention Activities - Health Department Based FY 06-07 <sup>(d)</sup>	93.940	N/A	1,862	1,862

Branch - Hillsdale - St. Joseph Community Health Agency

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Community Health - continued				
Cooperative Agreements for State-based Diabetes Control				
Programs and Evaluation of Surveillance Systems	93.988			
FY 06-07 <sup>(a)</sup>		N/A	\$ 50,000	\$ 50,000
Maternal and Child Health Services Block Grant	93.994			
FY 06-07 Local MCH CSHCS Block Grant		N/A	96,943	96,943
FY 06-07 Family Planning <sup>(a)</sup>		N/A	25,164	25,164
FY 06-07 Case Management Services (CC-LBS) <sup>(a)</sup>		N/A	<u>20,517</u>	<u>20,517</u>
			142,624	142,624
Passed through Michigan Department of Human Services				
and Michigan Department of Community Health				
Medical Assistance Program (Title XIX Medicaid)	93.778			
FY 06-07 Medicaid Administration <sup>(a)</sup>		N/A	31,634	31,634
FY 06-07 CSHCS <sup>(d)</sup>		N/A	<u>15,170</u>	<u>15,170</u>
			46,804	46,804
Passed through Michigan Department of Human Services				
Promoting Safe and Stable Families	93.556			
FY 06-07 Healthy Families Nurturing Community (St. Joe)		SFSC-06-75001	81,271	81,271
FY 06-07 Strong Families/Immunizations (Hillsdale)		SFSC-07-30002	24,500	24,500
FY 06-07 SFSC Coordination (Hillsdale)		SFSC-07-30003	11,859	11,859
FY 06-07 Teen Pregnancy (Hillsdale)		SFSC-06-30004	<u>15,000</u>	<u>15,000</u>
			132,630	132,630
Temporary Assistance for Needy Families	93.558			
FY 06-07 0-3 Secondary Prevention (Hillsdale)		CTFPR-05-30001	91,530	91,530
FY 06-07 0-3 Secondary Prevention (Branch) <sup>(a)</sup>		CTFPR-07-12001	<u>65,779</u>	<u>65,779</u>
			157,309	157,309
Community-Based Child Abuse Prevention Grants				
FY 06-07 Healthy Beginnings - Teens <sup>(a)</sup>	93.590	CTFDS-07-30001	28,716	28,716

Branch - Hillsdale - St. Joseph Community Health Agency

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through State Department of Office on Services to the Aging				
Title III-D Special Programs for the Aging (Disease Prevention and Health Promotion Services) FY 06-07	93.043	N/A	\$ 9,959	\$ 9,959
Title III-B Special Programs for the Aging (Grants for Supportive Services and Senior Centers) FY 06-07 Administration FY 06-07 Regular	93.044 <sup>(c)</sup>	N/A N/A	13,062 <u>120,938</u>	13,062 <u>120,938</u>
			134,000	134,000
Title III-C Special Programs for the Aging (Nutrition Services) FY 06-07 Nutrition Congregate FY 06-07 Nutrition Home Delivered Meals FY 06-07 Nutrition Administration	93.045 <sup>(c)</sup>	N/A N/A N/A	112,394 81,699 <u>22,043</u>	112,394 81,699 <u>22,043</u>
			216,136	216,136
National Family Caregiver Support FY 06-07 Administration FY 06-07 Regular	93.052	N/A N/A	5,715 <u>54,858</u>	5,715 <u>54,858</u>
			60,573	60,573
Nutrition Services Incentive Program FY 06-07 Regular	93.053 <sup>(c)</sup>	N/A	97,360	97,360
Targeted Care Management FY 06-07 Regular	93.778	N/A	<u>3,090</u>	<u>3,090</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,794,377</u>	<u>2,794,377</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 3,468,940</u>	<u>\$ 3,468,940</u> (e)

Branch - Hillsdale - St. Joseph  
Community Health Agency

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2007

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Branch - Hillsdale - St. Joseph Community Health Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) - (e) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation.

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Medicaid Administration	93.778	60.3%
Cooperative Agreements for State-based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	25.5
Family Planning – Services	93.217	58.4
Family Planning	93.994	11.8
Case Management Services (CC-LBS)	93.994	39.1
0-3 Secondary Prevention (Branch)	93.558	58.5
Healthy Beginnings – Teens	93.590	75.0

- (b) Denotes programs tested as "major programs".
- (c) Denotes programs required to be clustered by United States Department of Health and Human Services.
- (d) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.
- (e) The following reconciles the federal revenues reported in the September 30, 2007, financial statements to the expenditures of the Agency administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per fund financial statements)	\$ 5,671,504
<u>Less: Portions of grant funding considered "State" funding</u>	<u>( 2,202,564 )</u>
	<u>\$ 3,468,940</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Public Health  
Branch - Hillsdale - St. Joseph  
Community Health Agency  
Coldwater, Michigan

We have audited the basic financial statements of Branch - Hillsdale - St. Joseph Community Health Agency as of and for the year ended September 30, 2007 and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch - Hillsdale - St. Joseph Community Health Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (2007-1 and 2007-2).

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

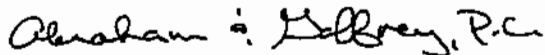
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency described in the accompanying schedule of findings and questioned costs as 2007-2 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Branch - Hillsdale - St. Joseph Community Health Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Agency's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board and management of the Branch - Hillsdale - St. Joseph Community Health Agency, others within the entity, pass-through grantors, and Federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 19, 2008

Principals

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Public Health  
Branch - Hillsdale - St. Joseph  
Community Health Agency  
Coldwater, Michigan

Compliance

We have audited the compliance of Branch - Hillsdale - St. Joseph Community Health Agency with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major Federal programs for the year ended September 30, 2007. Branch - Hillsdale - St. Joseph Community Health Agency's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major Federal programs is the responsibility of Branch - Hillsdale - St. Joseph Community Health Agency's management. Our responsibility is to express an opinion on Branch - Hillsdale - St. Joseph Community Health Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Branch - Hillsdale - St. Joseph Community Health Agency's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Branch - Hillsdale - St. Joseph Community Health Agency's compliance with those requirements.

In our opinion, Branch - Hillsdale - St. Joseph Community Health Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2007.

Internal Control Over Compliance

The management of Branch - Hillsdale - St. Joseph Community Health Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Branch - Hillsdale - St. Joseph Community Health Agency's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Branch - Hillsdale - St. Joseph Community Health Agency's internal control over compliance.



A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board and management of Branch - Hillsdale - St. Joseph Community Health Agency, others within the entity, the pass-through grantors, and the Federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 19, 2008

Branch - Hillsdale - St. Joseph  
Community Health Agency

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2007

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiencies identified that are not considered to be material weakness(es)?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weakness(es)?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?        Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.268	Immunization Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Findings**

**2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP**

Criteria: The Agency is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Agency rests with the Agency's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting fund financial statements, including the related note disclosures (i.e., external financial reporting).

Condition: It has historically been common for many organizations to rely on the independent auditors to assist in the preparation of the financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, an organization's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the Agency's internal controls.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Continued**

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**2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED**

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Effect: As a result of this condition, the employees and/or management may not possess the qualifications necessary to prepare the Agency's annual financial statements and notes to the financial statements in accordance with GAAP. The Agency relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Recommendation: We recommend the Board of Health consider obtaining additional training for the appropriate members of the Agency's administration to assure that they are able to fully understand the requirements of preparing GAAP financial statements. While this understanding is essential for the Agency's administration to be able to accept responsibility for the amounts and disclosures included in the Agency's GAAP financial statements, the Board of Health should consider the costs and benefits of obtaining the additional training.

Corrective Action Response: Management of the Agency will continue to look for opportunities to increase our understanding of the requirements of preparing GAAP financial statements. However, at this time we believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS**

Condition: Material journal entries for the proper recognition of inventories and beginning fund balance were proposed by the auditors. These misstatements were not detected by the Agency's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the Agency's general ledger.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Agency's internal controls.

Recommendation: We recommend that the Agency take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: Management of the Agency is reviewing procedures related to the areas in which material adjustments were proposed to ensure that similar adjustments are not needed in the future.

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**Section III - Federal Award Findings and Questioned Costs**

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None

Branch - Hillsdale - St. Joseph  
Community Health Agency

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2007

There were no findings disclosed for the past two years.